



RECEIVED COUNCIL

Handwritten notes: "HUS", "R100", "DC", "DF", and initials "NRN" near a black circle.

Montgomery County Government 02 FEB 2 P 1: 03
ROCKVILLE, MARYLAND 20850

Charles W. Gilchrist
County Executive
(301) 279-1284
TTY 279-1083

909962

MEMORANDUM

February 2, 1982

TO: Neal Potter, President, Montgomery County Council

FROM: Charles W. Gilchrist, County Executive *Charles W. Gilchrist*

SUBJECT: Compensation Proposals for FY 83

Last spring I recommended, and the Council enacted, legislation which modified the County's general cost-of-living adjustment policy to restrain the rate of increase in senior-level salaries. My original recommendation was that the salary range maximum for the highest County grade should be \$62,000. Council revised this figure to \$70,000, and while I thought this figure somewhat high, it was an acceptable compromise. I proposed this restraint because of my belief, based on findings by the Ad Hoc Committee on Top-Level Salaries (the Colman Committee) that the salary range maxima for upper grades would soon become excessive, unless some limitations were imposed.

At the same time, I formed a Management Compensation Task Force to examine the complex issues of senior-level compensation in a more thorough fashion than was possible last spring. The work of this Task Force over the past nine months was directed towards formulating senior management pay policy proposals for FY 83 and beyond. The Task Force effort builds on work done by the Colman Committee in 1980 and on discussions with members of the County's Economic Advisory Council.

I am pleased to transmit to you the report of this Task Force, as well as my proposed FY 83 salary policy which differs in some respects from the Task Force recommendations. In my judgment, the Task Force has done an excellent job of exploring alternatives to our present pay policies. Its work included an examination of the practices of many other organizations, both public and private, and long hours of deliberation seeking ways to make needed improvements without disrupting our personnel and pay systems unnecessarily.

Neal Potter, Council President
February 2, 1982
Page 2

The Task Force has proposed restraining the rate of increase in salary maxima for senior-level pay by replacing annual pay plan adjustments based on the 75%-of-CPI approach with adjustments based on an analysis of pay for comparable positions in comparable jurisdictions. Furthermore, the Task Force has recommended that a stronger emphasis be placed on pay-for-performance by removing Department Heads and Assistant CAO's (FY 83) and Division Chiefs (FY 84) from the annual COLA and substituting pay awards based on the individual's prior-year performance.

The Task Force has recommended continuation of the current 75%-of-CPI legislation for all employees other than senior managers. I support this recommendation.

While I agree with the Task Force that revisions in our pay policies for senior-level managers are needed and that the two principal proposals have substantial merit, I do not think the implementation schedule is realistic. I do believe that we must continue the restraint on upper-level salary ranges begun in FY 82 and, to that end, I think the proposed comparability analysis is an excellent method for aiding us in choosing salary maxima that are more in line with those in comparable jurisdictions. This analysis is already underway, and I will provide the results to the Council in the very near future, when I submit my specific FY 83 pay level proposals to you.

Preliminary data indicates that the maxima for grade 39 will fall below my recommended maximum of \$70,000 for grade 40.

I cannot agree, however, with the rapid implementation of a performance-based pay system for senior managers as proposed by the Task Force. As you know, I support careful performance planning and appraisal and the recognition of superior performance. I have placed all my Department heads on FY 82 performance plans and have already scheduled time this summer for appraisal sessions. In addition, I directed that the Resources Management Team assign major emphasis to the creation of performance planning and appraisal policies for use by all County departments.

The rewards from successful performance planning and appraisal can be substantial, but the administration of such systems can be very difficult. In my opinion, we need more time to learn to use these techniques wisely, efficiently, and fairly. Consequently, I believe it is premature to replace the present COLA-based system for making individual salary changes for senior managers with a performance-based pay system as early as FY 83.

Neal Potter, Council President
February 2, 1982
Page 3

This does not mean that, during the interim, outstanding performers in County service cannot be recognized. Present regulations provide for both cash awards and increases to base pay for outstanding performance. In the past, I have made such awards when justified, and I expect to do so in the future. I have encouraged County Department Heads to do likewise. Outstanding performers should be recognized and rewarded at all levels of County government and special compensation for those persons is to the benefit of the County in attracting and retaining productive, well-qualified employees.

The Task Force and I also differ on one other point. The Task Force has recommended that the Chief Administrative Officer position be removed from the salary schedule and that the salary for this position be independently negotiated. While I understand the Task Force's recommendation as being in line with the policies of many jurisdictions, and with similar high-paying positions in many school systems, I do not believe that such a change would be appropriate for Montgomery County now. If the County does move at some future date to a performance-based pay system for senior managers, then such an arrangement, in combination with an employment contract, may be more appropriate for the Chief Administrative Officer. For now, I feel this position should remain on the salary schedule, and I am recommending that the salary range maximum for grade 40 should remain at \$70,000 for FY 83.

As you will recall, the current statute governing the cost-of-living pay adjustments expires on June 30, 1982. The attached establishes for FY 83 that a comparability analysis will be a major factor in determining the maxima for grades 32-39. The maxima for all other grades 5-31 would continue to be adjusted by the approved COLA. Because comparability analysis is a technique which is new to the County, I am proposing that this legislation be temporary, for a one-year period covering FY 83. If the use of this technique proves successful, I will recommend that the legislation be made permanent, beginning in FY 84. As a part of my FY 83 recommended Budget, I will transmit a specific FY 83 pay plan for approval by the Council which will reflect the comparability data that have been received and analyzed.

The enclosed bill also continues the current practice of adjusting the salaries of all merit employees by the approved COLA, up to the maximum of the grade. I also intend to follow these same procedure for Executive Branch non-merit employees. Substitution of pay-for-performance would, therefore, be deferred until some time in the future.

Your staff was briefed twice in the past nine months on these compensation matters. Robert K. Kendal, Assistant Chief Administrative

Neal Potter, Council President
February 2, 1982
Page 4

Officer, chaired the Management Compensation Task Force, and will be available to assist the Council itself during deliberations on the enclosed legislative proposals

CWG:rk

Enclosures(2):
Management Compensation Task Force Report
Legislative Bill

GENERAL BACKGROUND MATERIAL
PROPOSED AMENDMENTS TO
COST-OF-LIVING LAW

1. DESCRIPTION: This bill modifies the County's general salary adjustment policy by specifying a method for changing the salary range maxima of grades 32-39 that is different from the method to be used for grades 5-31. Under this bill, the salary range maxima for grades 5-31 would be increased by 75% of the CPI, as at present. The maxima for grades 32-39, however, would be related to the maximum of grade 39 which would be based in large measure on the results of an annual analysis of pay data for positions in other jurisdictions comparable to those in Montgomery County's grade 39. The salaries of all merit employees (grades 5-40) would be adjusted by the approved COLA up to the maximum of the grade. While not a part of the bill, salary adjustments for executive branch non-merit employees would also conform to this procedure. The salary of the Chief Administrative Officer (at Grade 40) will be set at \$70,000.
2. PROBLEM: Salary range maxima for upper grades have reached, or may soon reach, levels that are excessive in comparison to those of other jurisdictions. The primary force driving salary maxima to this high point is the automatic COLA of 75% of the CPI.
3. GOAL AND OBJECTIVE: The objective of the bill is to restrain the rate of increase in upper-level salaries by substituting a comparability-based determination of salary range maxima for grades 32-39 for the automatic 75%-of-CPI method.
4. COORDINATION: Legislatively, enactment of this bill needs to be coordinated with the expiration of the current COLA law on June 30, 1982. Organizationally, this bill has been fully coordinated with the Offices of Personnel, Management and Budget, County Attorney, and Chief Administrative Officer.
5. FISCAL IMPACT: There will be no impact on the capital programs or budget. The precise impact on the operating budget cannot be determined until such time as the actual salary range maxima for FY 83 are established. If the FY 83 maxima for grades 32-39 are established at roughly the FY 82 level, there will be a saving of approximately \$65,000 over what would be paid out in COLA and increments if no restraints at all were placed on the maxima of upper grades.
6. ECONOMIC IMPACT: There will be no economic impact from this bill.

7. EVALUATION: This bill will be evaluated by determining the degree to which salary range maxima for grades 32-39 are lower than they would be under the full 75%-of-CPI method. The Personnel Office will conduct the evaluation annually after the comparability data are available and after the Council approves the CAO's proposed salary plan.
8. EXPERIENCE ELSEWHERE Many jurisdictions have imposed "caps" on escalating salary ranges. Both private and public agencies utilize comparability studies to determine the appropriate salary ranges for positions. See the Management Compensation Task Force Report for additional information.
9. SOURCES OF INFORMATION: Requests for additional information should be directed to:
Robert K. Kendal, Assistant Chief Administrative Officer
Executive Office Building
Montgomery County, Maryland 20850

Telephone 251-2500

BILL NO. _____

Introduced:
Enacted:
Executive:
Effective:

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND
January Legislative Session 1982

AN ACT to amend subsection (b) of Section 33-74, title
"Cost-of-living adjustment" of Article IV, title
"Employer-Employee Relations" of Chapter 33, title
"Personnel" of the Montgomery County Code 1972, as
amended, to allow the Chief Administrative Officer to
establish salary maxima for grades 32 thru
39 by utilizing a comparability study for FY-83 and to
provide that no County employee's salary is reduced
below its level as of June 30, 1982.

Be It Enacted by the County Council for Montgomery County,
Maryland, that -

1 Sec. 1. Section 33-74, title "Cost-of-living adjustment"
2 of Article IV, title "Employer-Employee Relations" of Chapter
3 33, title "Personnel" of the Montgomery County Code 1972, as
4 amended is hereby repealed and reenacted with amendments to
5 read as follows:

6 33-74. Cost-of-living adjustment.

7 (a) * * * *

8 (b) Notwithstanding the provisions in (a) above, for
9 FY-8{2}3 only the following salary controls shall apply:

10 1. Salary maxima of grades 5 through 31 will be adjusted
11 by the full cost-of-living granted by the County Council.

1 2. The salary maximum for grade 40 shall be \$70,000.00.

2 3. The Chief Administrative Officer shall set the
3 maximum for grade 39 at a level less than the salary maximum
4 for grade 40 by utilizing a comparability survey which shall
5 include a review of comparable jurisdictions nationwide similar
6 in size and socio-economic characteristics, and comparable
7 positions in those jurisdictions as to job function and scope,
8 and salaries and other benefits. The salary maxima for grades
9 32 through 39 shall be adjusted by the Chief Administrative
10 Officer so that the dollar difference between the salary maxima
11 of grades 31 through [40]39 is the same.

12 4. The salary for [each] all merit employees [in grades
13 5-31] will be adjusted by the full cost-of-living granted by
14 the County Council to the extent that such salary adjustment
15 does not exceed the maximum of the employee's grade.

16 [5. The salaries for merit employees in grades 32
17 through 39 will be adjusted by the full cost-of-living granted
18 by the County Council only to the extent that such salary
19 adjustment does not exceed the maximum of the employee's grade.]

20 [6. The cost-of-living adjustment to the salaries of
21 non-merit employees shall be determined by the County Executive
22 but shall not exceed the cost-of-living granted merit
23 employees.]

24 [7.]5. No employee's salary is to be reduced below its
25 level as of June 30, 198[1]2 as a result of implementation of
26 the provisions contained in paragraphs 1-[6]4 above.

27 Sec. 2. Severability.

28 The provisions of this Act are severable and if any
29 provision, sentence, clause, section, word or part thereof is
30 held illegal, invalid or unconstitutional or inapplicable to
31 any person or circumstances, such illegality, invalidity or
32 unconstitutionality, or inapplicability shall not affect or
33 impair any of the remaining provisions, sentences, clauses,

sections, words or parts of the Act or their application to other persons or circumstances. It is hereby declared to be the legislative intent that this Act would have been adopted if such illegal, invalid or unconstitutional provisions, sentence, clause, section, word or part had not been included therein, and if the person or circumstances to which the act or any part thereof is inapplicable had been specifically exempted therefrom.

Sec. 3. Termination.

The provisions of this law shall remain effective only for FY-8(2)3 and shall be of no effect after June 30, 198(2)3. Upon termination, Section 33-74 as it existed [immediately] prior to {the effective date of this law,} May 15, 1981 shall be reinstated.

Sec. 4. Effective Date.

This Act shall take effect on the 91st day following the date on which it becomes law.

Approved:

President, Montgomery County Council Date

Approved:

County Executive Date

ATTEST:

Secretary of the County Council Date

